

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE

IN THE MATTER OF THE TARIFF FILING)
BY VERIZON DELAWARE INC., FOR ITS)
ANNUAL APPLICATION OF THE PRICE CAP) PSC DOCKET NO. 04-008
FORMULA IN ACCORDANCE WITH § 707(b))
OF THE TELECOMMUNICATIONS TECHNOLOGY)
INVESTMENT ACT (FILED MARCH 31, 2004))

ORDER NO. 6443

This 22nd day of June, 2004, the Commission finds, determines, and Orders the following:

1. On March 31, 2004, VZ-DE filed its Annual Price Index Report for the year 2004. TTIA Rule 3.4. As calculated by VZ-DE, the relevant adjustment factor is .988. VZ-DE proposes to "aggregate" the negative rate resulting from this change (TTIA Rule 3.4.5(1)) into an aggregated amount totaling \$634,000. In addition, VZ-DE also proposes to bring forward the "banked" aggregated adjustment from its 2003 Price Cap filing (TTIA Rule 3.4.5(2)). See PSC Order No. 6176 (June 3, 2003). The result is a combined total aggregated adjustment totalling \$1,295,000. VZ-DE proposes to "target" this two-year aggregated adjustment by: (a) decreasing touch-tone rates for residential customers from \$0.22 per month to \$0.14 per month; (b) providing a \$1.23 "monthly bill credit" to business customers having dial tone line access; and (c) reducing the minute of use rate for local switched access for Feature Groups (B & D), WATS, and 900 service from \$0.009904 per MOU to \$0.009344 per MOU.¹

¹VZ-DE also proposes to issue one-time refunds to its customers representing the aggregated amount "banked" in the year 2003 along with accrued interest on that amount.

2. VZ-DE published notice of its price cap adjustments and proposed targeted rate reductions on May 17, 2004. No person or entity filed any comments or objections in response to such notice. The Commission considered VZ-DE's 2004 Price Index Report at its June 22, 2004 public meeting.

3. Based on Staff's recommendation, the Commission now allows the rate reductions and "monthly bill credits," as proposed by VZ-DE, to go into effect beginning July 1, 2004. However, Staff has expressed some curiosity, if not concerns, about VZ-DE's use of a "monthly bill credit," rather than a reduction in a tariffed rate for a particular basic service, in conjunction with the adjustment "targeted" to its business customers. No person or entity has objected to such form of adjustment. However, Staff desires additional time to investigate whether such form of adjustment is appropriate under the TTIA and the TTIA Rules. In addition, Staff wishes to investigate how that "monthly bill credit" reduction might interact with the legal obligations imposed on VZ-DE to make its basic retail services available to other carriers. See 47 U.S.C. §§ 251(c)(4), 252(d)(3). Compare 26 Del. C. §§ 707(c)(5), 709(3) (2002 Supp.). While the Commission is amenable to allowing Staff further time for investigation, at the same time it does not wish to delay VZ-DE's customers receiving the called-for reductions (however labeled). Thus, the Commission will allow VZ-DE's Price Cap proposal to go into effect July 1, 2004. However, the Commission reserves the right to continue its investigation into VZ-DE's manner of "targeting" the adjustment for its business customers. Staff should expeditiously pursue its investigation

and report back to the Commission with its recommendations by August 1, 2004.²

Now, therefore, **IT IS ORDERED:**

1. That the rate adjustments proposed in the Annual 2004 Price Index Report filed by Verizon Delaware Inc., on March 31, 2004, are hereby allowed to go into effect for services after June 30, 2004. The revised tariff sheets (P.S.C.-Del.-No. 1, Section 30C, Fifty-fourth Rev. Sheet 1 and P.S.C.-Del.-No. 35, Third Rev. Sheet 194B) submitted by Verizon Delaware Inc., with its March 31, 2004 Annual Price Index Report are allowed to go into effect on July 1, 2004. Verizon Delaware Inc., shall also, effective July 1, 2004, implement the "monthly bill credit" proposal for business customers as described in its Price Index Report.

2. That, for the reasons set forth in the body of this Order, the Commission expressly reserves the right to determine whether the "monthly bill credit" adjustment for business customers is an appropriate adjustment method under the Telecommunications Investment Act (26 Del. C. §§ 704-11), and implementing regulations, as well as consistent with resale obligations imposed by federal and state law. Staff shall submit a report on these issues, with its recommendations, on or before August 1, 2004.

3. That the Commission will enter formal findings or a subsequent Order after receiving Staff's further report and recommendations.

²TTIA Rule 3.4.5 allows the Commission 120 days to rule on Price Cap Rate decrease filings.

4. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

BY ORDER OF THE COMMISSION:

/s/ Arnetta McRae

Chair

/S/ Joshua M. Twilley
Vice Chair

/s/ Joann T. Conaway
Commissioner

/s/ Jaymes B. Lester
Commissioner

Commissioner

ATTEST:

/s/ Karen J. Nickerson
Secretary